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FIELD LAB ENTREPRENEURSHIP

FINEST BUSINESS PLAN

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Abstract

This project aims to assess the feasibility of creating a mobile app that would allow people to book bottles, tables and entrances in nightclubs, while enjoying a customized VIP experience. It would be named "Finest" and it would focus on creating a streamlined nightlife experience for its customers. Essentially, it intends to reshape how people enjoy their night and how nightclubs keep track of their customers, since nightclubs would also be able to have information about their events in advance. By developing a business plan, an analysis could be performed and a strategy outlined.

Keywords: Business Plan, Booking, Mobile app, Nightlife

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1. Introduction

Finest is a service that enables anyone to book tables or entrances in nightclubs, offering a VIP service. In order to benefit from Finest advantages, the user can just follow the simple process of: download the mobile app, search for the desired event, complete the reservation, and enjoy the finest service.

This mobile app will create value for the users and for the nightclubs since they both can benefit from several features of the app.

For the users it corresponds to the easiest way to make a reservation; there is no need to wait in queues; the user does not also need to search/know a Public Relations; and the app is characterized by presenting a transparency in the price.

Concerning the nightclubs, through Finest, they will be able to obtain relevant customers information; receive payment in advance; it presents a new distribution and marketing channel for them, therefore it is a way to improve their advertisement; and in-depth analysis could be performed.

Strategy

“Turn Finest in an international app, where our customers can enjoy our services whenever they want, wherever they are.”

In order to attract potential customers to our service, Finest will initially create a relevant nightclubs' base in Portugal. In the first three years, Finest intends to dominate the Portuguese market by being present in the most attractive regions. In the fourth year of operations it is expected to start expanding internationally, starting by Spain for geographic, market

attractiveness, and cultural similarities with the Portuguese nightlife industry reality. In 5 years of existence, the objective is to be present in Lisbon, Porto, Algarve, Madrid and Barcelona.

Market

The nightlife industry in Europe is approximately valued in 257.56 billion Euros¹. However, Finest intends to focus on a portion of this market, the market of bottle service and VIP entrances in bars and nightclubs.

As Finest will start its activity in Lisbon, it was essential to have consolidated data for this city, in order to understand if the company's revenue model can succeed. This market (bottle service and VIP entrances in Lisbon) was estimated based on information provided by the nightclubs², reaching to an estimated value of 22 million Euros only for Lisbon³.

Operations

Finest is a web based service therefore, in the beginning, it will not need physical facilities to operate, reducing the operative and fixed costs of the company. Finest will not have significant working capital needs since the founders will handle negotiations with nightclubs and services will be outsourced.

¹ Value based on an extrapolation performed and explained on the Market Size chapter

² Reference Lisbon nightclubs: Urban Beach, Main, Place, Lux, Docks, Art and 10 alternative Lisbon nightclubs

³ Estimated value explained on the Market Size chapter

2. Literature Review

There are different opinions regarding business plans worthiness to the success of a new venture.

Amar Bhidé (2000) affirms that in more predictable and stable markets business plans are potentially likely to have a positive impact, however in uncertain markets there is little reason to prior planning and research. The author also states that entrepreneurs take too much effort and time in developing the detailed business plan while they could be taking real actions of business altering and refining the strategy as they encounter new and unforeseen threats and opportunities. Henry Mintzberg (1990) corroborates this idea stating managers should not assess their organization's strengths and weaknesses until they became evident from trial and error experience, since it is impossible to forecast the future with a complete confidence. Hence, organizations' strategy and capabilities should evolve organically, through trial and experience, and managers should focus on its operating efficiency. (Ansoff 1991, 454.)

On the other hand, literature suggests that a business plan is the bridge that allows the transformation of an idea into a business. Beth Bertelsen (2011) considered it the most important step to build a successful business by clarifying and quantifying ideas, define priorities, state the business goals and communicate the main features and strategy of the project. It is in this process where entrepreneurs collect and analyze information about the market, facilitating the development of business strategies by identifying the risk associated to the project and explore new business opportunities (Castrogiovanni, 1996). Moreover, it is commonly a prerequisite to seek financial support, according to Castrogiovanni (1996), "planning legitimizes the new venture proposal and improves communication with various external stakeholders, particularly potential investors or other financiers".

In order to plan a business one should follow three levels, the normative where it is defined the values, vision and culture, the strategic which deals with go-to-market strategy and finally the operative (Gruber et al, 2002). “As far as the content of the business plan is concerned, it is broadly and commonly agreed to comprise chapters dealing with idea-origin and vision, product/service, market and competition analysis, marketing and sales, founding team, organization, network and strategic alliances, SWOT, finance plan, funding and an executive summary.” (Adrian Rößler, 2011).

Aiming to have a strong brand strategy there is the need of having a canonical vision of the company. On that account, Airbnb was inspired by Snow White’s transition from making shorts to turning it into the original full-length animated feature, taking a modest existing concept and making something far grander. Therefore, Airbnb’s CEO decided to evolve his still-fledgling product into a fully-realized vision. It is stated that a “storyboard can create a unified vision across your entire company" and helps to be customer-focused (Stephen Whiteside, 2015).

3. Methodology

A Business Plan is the bridge that allows the transformation of an idea into a business. It is performed to set objectives, forecast opportunities and anticipate problems. In order to perform a coherent Business Plan some key components should be followed: the product or service description, the industry and market analysis, the business strategy (including the marketing plan, the operations plan and the development plan), the management team and the financial analysis and forecasts.

The company description corresponds to the presentation of the business. In this part the product or service and all its features are carefully detailed and the problem that it solves is presented. Then, the solution is exposed enlightening the advantages of using the service, and the core features are addressed to the problem solving. Moreover, the concept of the business and its values are exposed, as well as its mission, vision and value proposition.

The section of the industry and market analysis is used to describe and quantify information from the industry, customers and existing competitors. First, the industry and its trends should be identified and described. The market size should be computed and competitors should be analyzed. Then, a survey should be performed in order to verify the business feasibility and the clients' patterns and demands. After that, the attention should be directed to the customers by identifying and segmenting them according to its different lifestyles and the target market should be defined. Lastly, the market should be assessed and the most precise tool that should be used for such purpose is the Porter's Five Forces.

The overall business strategy includes the strategic position of the company, the marketing plan, the operations plan, the development plan and the exit plan. In this part the strategy that the

company should follow is defined and outlined. The main objective of the marketing plan is to define the process of how the company will achieve its business goals. The overall marketing efforts are detailed in this section and a marketing mix tool is used to complete the plan. The operations plan is on the other hand performed to explain how the strategy will be executed, its structure and the steps that the company will have to follow. It essentially describes the milestones that should be reached and it plans the strategic goals of the company. The development plan, in turn, corresponds to a complement to the operations plan and it describes how the business will succeed and grow. It also outlines the expansion strategy of the business. Lastly, the exit plan corresponds to the process of the transition of the ownership of the business to other companies or investors. It is essential to plan every plausible scenarios and to take advantage from it.

The final section of a business plan corresponds to the financial analysis and forecasts. In this part the revenues and expenses are estimated for the first five years of the business operations and the financial statements are performed. This analysis essentially intends to assess the viability and profitability of the business and it gives a generalized idea of the capital that the business needs to run.

4. Service Description

Finest is a service that enables anyone to book tables or entrances in nightclubs, offering a VIP service. The reservations are made through a mobile application that will provide information about parties available in each day. The users can choose a venue and book one or more tables or bottles in a certain venue, having the possibility to choose the table they prefer and the bottles they want to order. It essentially corresponds to a “premium” concept that can be associated to any kind of events or celebrations.

When deciding to have a Finest experience for the first time, the user should register in the app. This process consists in uploading personal data to the platform, and a member account is created. Once a user opens the app, he will have access to a set of offers from different nightclubs and parties. An event is selected and, in turn, information on the event he wants to attend will be provided. The offerings can be personalized, choosing the brand and type of beverages and food service (if offered by the club) the client wants to have on his table. Different combinations of prices can be tested and it is also possible to book some extra services that will include transportation (Uber and limousine) to the events, private photographer and personal barman. Furthermore, the clients can also book priority entrances in clubs.

A reward system will also be created, whereby Finest customers will earn points according to their purchases. There will be available a list of offerings and discounts with the respective required points for each one, such as a free photographer service, a discount in a bottle or a free barman service during one night. By consulting their points and that list, users can choose if they want to use it or check how many are missing for one offering they are interested in – it is

certainly a way to encourage table reservations and motivate users to spend more money through the mobile app.

4.1 Problem

Booking a table in a nightclub is not an easy process. Nowadays, these bookings are usually made through Public Relations (PR) of the clubs that will earn a commission for every bottle sold. Nevertheless, this is not a comfortable process if one does not have a confidence based relation with a PR and does not know the club sufficiently well. Sometimes, the tables are reserved through a previous mobile connection between the client and the PR and when the client arrives to the club, he has to contact the PR to get a quicker entrance and avoid queues, or wait in line. In a crowded place, like a nightclub, a mobile phone is not so easy to hear, adding to the fact that innumerable clients are calling. In other situations without previous booking, clients use to wait in two queues, the entrance one and another to buy the bottles pretended, inside of the club. Most of the time, clients are willing to spend large amounts of money and they are waiting a long period in the entrance, since the club is overbooked. With *Finest*, clients will avoid this problem by reserving the bottles before going to the nightclub.

Furthermore, all the current process does not benefit the venues. They cannot predict how many people will book a table in a predetermined night and advertise the advantages of their offerings, only relying on the word-of-mouth provided by the PR and the experience of past customers. Given this, nightclubs often end up having nights with low demand for bottles, and low offer in some parties where they could have earned extra profit with a different pricing strategy. As the payments are only made in the moment of the parties, significant investments are needed so that

the venues can finance them. Moreover, and aligned with the market trends verified, segmenting and targeting its customers may be the difference between success or failure of any nightclub.

4.2 Solution

Finest intends to provide a night experience characterized by a higher quality service to users when compared to the current situation and traditional services offered by nightclubs. The service aims to take care of every client's concern since the moment s/he arrives at the nightclub's door. With just 5 clicks, users can personalize the service choosing their preferred table, beverages and add-ins, or just a privileged entrance. At the venue's door, the club staff will offer them priority entrance as soon as they present the QR code generated after the booking through the mobile app, and the table will already be perfectly set up. All the process becomes simple: a client wants to have the Finest night, clicks in the app and enter the club, with or without the Finest ride. Even if a Finest user is already in the club and wants to order another bottle, it may be done through the app, avoiding getting up and waiting at the bar. Through Finest, users are also able to acknowledge parties each day (near their place through location services) and get useful information of each event. Here, information such as the price, DJs, concept and dress code will be provided. Finally our users are able to make profound judgments and can decide which parties to attend.

Through Finest, nightclubs will improve their visibility and awareness since their events and its description will be advertised in the mobile app. Finest service will also help them to predict the attendance of the parties, adjust their pricing strategies and provide vital marketing information that will help to segment and adjust their offerings to have a closer proximity with their clients. As venues will have special accounts created inside the app, they will also have access to all this

information in real time. Furthermore, clubs will be able to have a certain value of Cash Flow before their events, since users will have to pay in advance their bookings.

4.3 Value Proposition

4.3.1 Individual Customers

For people who want to go out and have fun without complications, Finest is a premium service to book tables and entrances in nightclubs. It is an easier solution to buy bottles and entrances through a click at home, offering the possibility to choose the desired table in the club and include add-ins in the purchase. Additionally, our service offers transparent information about available parties each day. It is an easy, secure and transparent way of having the finest night.

4.3.2 Nightclubs

The application is designed to reach venues' maximum capacity more often and to allow nightclubs to get payments in advance, trustworthy information about customers and event statistics. Finest is the service that connects nightclubs to people interested in booking entrances and tables. Our service offers to nightclubs advertisement for parties, privilege information about Finest users and allows them to receive payments of entrances and tables in advance.

4.4 Mission and Vision

Mission: Provide a VIP experience to customers so that they can enjoy and escape from their day to day concerns.

Vision: Turn Finest in an international app, where our customers can enjoy from our services whenever they want, wherever they are.

4.5 Management Team

André Passos: Co-founder and Service Development Manager. André was the booster of this project, starting the development of the idea. He graduated in Information Management at Nova IMS, he is currently finishing his Master degree in Management at Nova SBE and he is specialized in entrepreneurship, strategy and marketing. He has worked as a promoter at several events and clubs in Lisbon, being familiarized with this industry. His interests are big data, business strategy, marketing, travel and nightlife. He owns 50% of Finest.

Gonçalo Nascimento: Co-founder and Financial Manager. Gonçalo completed his Bachelor degree in Management at Nova SBE where he is finishing the Master's in Management. Throughout his years at Nova he has always demonstrated an unique passion for Finance and is always ready for a new captivating project. Gonçalo is very comfortable with the nightlife industry since he already contributed to the organization of several night events. He owns 50% of Finest.

5. Industry Profile and Overview

5.1 Finest Industry

Nightlife industry is mainly composed by nightclubs and bars. These establishments are the ones that contribute the most to the industry and companies in this area typically operate locally or regionally, as the night habits of the population are different from city to city and laws and licenses can vary from region to region. The demand is mostly driven by the personal income and by the entertainment needs of the population and, the profitability of firms operating in this industry depends on their ability to attract people and develop loyal clients. Nightlife companies experience a high product turnaround; despite having high profit margins, they are extremely affected by a decrease in demand. In the case of nightclubs, these compete with other corporations or establishments that serve alcoholic drinks or entertainment services as casinos, restaurants, bars and the consumer home itself. In many countries, nightclubs lost a big competitive advantage by the restriction of smoking indoors and the recent economic crisis also had a negative impact over the Portuguese and European nightlife industry. These events have changed the consumer behavior in the industry where former customers are preferring to drink at home or in bars due to lower prices for alcoholic drinks. In order to create awareness, clubs need to differentiate by offering unique products, entertainment or providing superior client service. The barriers to entry can be described as medium given the different laws of particular regions or countries. New entrants need to lease premises, equipment, furniture and fittings. However, in order to differentiate, those costs can rise substantially. The biggest challenge to a firm entering the market is to obtain a license and find a location. For instance, some nightclubs had to shut down its operations due to community resistance. Another barrier to enter the nightclub industry is obtaining standard liquor and pouring license to serve alcoholic beverages for consumption on

premise, whereas licenses for serving beer and wine are easier to obtain compared to hard liquor. Local laws also restrict opening days and hours. Most of the companies in this industry are not frequently open during the week, having their highest turnaround on the weekend.

5.2 Industry Trends

Projections state that consumers in Portugal will buy more alcoholic beverages, especially spirits - the main product transacted in our service. As it can be observed in Appendix 1, it is forecasted that sales will grow 19.5% from 2013 to 2018. As Whitney Johnson (Global Director of Marketing of BookBottles) stated⁴, nightclubs are trying to improve their marketing strategies and digital systems. She affirmed that “Marketing is an important aspect of building a successful nightclub, yet many venues don’t put a lot of emphasis on their marketing efforts. This is all going to change in 2015. Many nightclubs stated a goal in 2015 to improve marketing efforts, and industry experts state the best way to do this is through segmentation. The best way to do this is through a CRM system that’s tied to every area of your venue to track customer habits. This is what we call interconnectivity, and it’s what allows a venue to uncover key information about themselves and their customers to offer 100% relevant marketing.”

Regarding digital systems Whitney declared “Technology has come a long way in the nightclub industry in the past couple years. In fact, more and more clubs are turning to it to track results, effectively communicate across all staff members, and offer exceptional client experience”.

It is possible to observe that bottle service apps is a big trend in America, with new apps showing up in a fast pace and almost covering every states. These services are in line with the trends identified, since it can be considered a tool for a nightclub to improve its marketing efforts,

⁴ BookBottles Blog. 2015. Whitney Johnson. <https://www.bookbottles.com/blog/2015-01-20-4-trends-to-watch-in-2015>.

collecting information about their customers, being able to segment them and improving their offers, so that they are more adequate to their customers' profile.

5.3 Market Size

There is no European released data by any statistics entity concerning nightlife market size, hence, we relied on information delivered by promoters and some assumptions, in order to deliver a complete market analysis.

In order to reach to a valuation for the European nightlife industry, an extrapolation was performed based on the value of this industry in the United Kingdom. In the UK the revenues for the Pubs and Nightlife totaled a value of £23.3 billion in 2010⁵ and there were 63.2 million habitants⁶. On the other hand, the European population in that same year was around 503.17 million⁷. Given this, and proportional comparing the population to the value of the nightlife industry, a value of €257.56 billion arose as an estimation for the European nightlife industry size.

From this value, Finest will target the market of bottle service and VIP entrances in bars and nightclubs. In order to reach to a coherent value for the market size, nightclubs were segmented based on their dimension, dividing them in two groups - reference nightclubs and alternative nightclubs - and Lisbon was considered as the base market.

The value of the Lisbon market size, where Finest will start to operate, was computed based on an analysis that relied on 6 reference clubs⁸, which have an average of 4 events per week, and on

⁵ Oliver Wyman. 2012. "State of the UK Leisure Industry: a driver for growth". June 2012.

⁶ Office for National Statistics: 2011 Census

⁷ Eurostat

⁸ Urban Beach, Main, Place, Lux, Docks and Art

10 alternative clubs⁹, where there are only 2 events per week. Based on the information collected, the reference nightclubs present, on average, a revenue of 5,404,800€ per year concerning the bottles sold (see Appendix 2) and around 1000 entrances each night. On the other hand, alternative nightclubs sell, on average, only 5 bottles per night, making its revenues ascend up to an estimated value of 384,000€ per year (see Appendix 3) and there are an average of 300 entrances per night. Given these statements, a value for the market size of Lisbon could be computed and it totaled a value of 22,022,400€. Concerning Porto's market size, an extrapolation was performed relating the value of Lisbon's market and the population of the two cities. Considering the already computed market value of bottle service and entrances in Lisbon and knowing that there are 2,821,876 habitants in this city¹⁰, it was possible to compute the value for Porto's market size by proportional comparing it with its population. Therefore, and considering that there are 1,287,282 habitants in Porto¹¹, an estimated value of 10,046,167.56€ was calculated, representing its market value of bottle service and entrances. Regarding Algarve, since it is a particular seasonal market and the major clubs only operate in summer, usually one month and a half per year, the analysis was differently developed. Here the focus was on 10 reference clubs and each hosts, on average, 5 nights per week. An average of 40 bottles are sold each night by a regular price of 150€ and 1200 entrances are sold by an average price of 15€. Given this data, Algarve's market size was computed and totaled a value of 7,200,000€.

Following the same approach used to infer Porto's market, the values for Madrid and Barcelona's markets of bottle service and entrances were calculated, being respectively 49,770,032.76€ and 25,280,336.61€.

⁹ Ministerium, Jézebel, B.Leza, Books, Trumps, Radio-Hotel, Blues, Plateau, Xafarix and Bosq

¹⁰ Censos 2011

¹¹ Censos 2011

Since Finest only delivers a bottles and entrances booking service, the reachable market corresponds to a percentage of those combined markets – depending on the earned commissions in each nightclub.

6. Market Analysis

A survey was performed in order to verify Finest feasibility. More specifically, it was intended to estimate the proportion of people that would use Finest services and understand their nightlife patterns. To have a statistically relevant sample, the sample dimension was calculated, in order to have the proportion with a controlled error. In the calculations, a confidence level of 95% was used and, due to the lack of information regarding population's proportion variance, the pessimistic scenario was assumed (variance = 0.25). The population assumed for this estimation (784,744) was Lisbon's residents from 18 to 39 years plus the foreign students studying in Lisbon. After analyzing the results, and taking in consideration Finest budget and time available, the decision relapsed on the use of an error of 5% and, for that, it was necessary to have a random sample with 385 individuals.

Analyzing the results it can be seen that the proportion of people in the sample that would use Finest every time when booking a table is 58.15%, on average. Summing this to the proportion of people in sample that would use Finest in some occasions to book a table it was estimated a proportion of, approximately, 83%. As the error was controlled by a statistically significant sample we can assume that, with a level of confidence of 95%, the proportion of people that would use Finest every time or in some occasions ranges from, approximately, 78% to 88%.

Regarding using Finest for entrances reservations, the proportion of people that would use it every time or in some occasions ranges from, approximately, 77% to 87%.

Crowded places, winter and birthday parties were some answered reasons to use Finest.

Survey's information and analysis are presented in the additional appendix.

6.1 Market Segmentation

Since Finest works as a connector between users and nightclubs, these two groups were considered as our clients.

6.1.1 Users

Finest users were segmented in three categories, presented below.

6.1.1.1 *The uncomfortable*

The *uncomfortable* represents people who don't feel at ease with the process of booking tables in nightclubs. As they don't go out to a club so frequently, they often get nervous when arriving at the entrance of the events, due to the queues and screening from the club's staff. This is a segment transversal to income or education categorization. For them, Finest service can solve a major problem since they get the opportunity to enjoy a relaxed event without major social interactions in the process of booking.

They are often convinced to go to nightclubs by their friends, and do not gather much information about the places to attend. For this reason, word-of-mouth plays a major role in their attendance decision process.

6.1.1.2 *The Social Celebrants*

This segment enjoys hanging out with their friends and celebrating special occasions, despite not doing it so frequently. Their income is variable since it is related with their occupation, which has a widespread range – customers in this segment may vary from students, recent employed people and established workers with significant incomes. They are moderately price-sensitive and are influenced by the main product benefits.

Social Celebrants don't read as often nightlife magazines or websites but they keep themselves updated on the best places to have fun. This information is often spread through word of mouth from their close friends which suggest the nightclubs to go.

6.1.1.3 *The bon vivants*

Bon vivants are less price sensitive when looking for a party to attend. They differ from the *social celebrants* since they are able to spend a great share of their income in social events such as nightclubs, festivals or other celebrations. In general, people in this segment are in the job market and may not be so influenced by the benefits of the *Finest* service, since they already have an established network inside the nightclub industry and good contacts with public relations. This segment does not need a very strong motive to celebrate as they do it frequently.

People with this profile tend to gather information about nightlife evaluating their own experiences, but are also prone to search for new offers in websites and magazines.

6.1.2 Nightclubs

Nightclubs also benefit from *Finest* services and were segmented in two categories, depending on the capacity of their facilities and their average revenues.

6.1.2.1 *Reference Clubs*

These are the clubs that are on top of mind when one thinks about one place to have fun. They appear in the first places of nightlife rankings and have at least three important events per week. It is expected that capacity in these nightclubs is superior than 10 tables available to book.

6.1.2.2 *Alternative Clubs*

This segment is composed by nightclubs that are not the first option to the masses, but have a faithful set of clients and are more focused on niches. Usually the capacity of the venue is low but each table can present a huge spending value.

6.2 Target Market Selection

6.2.1 Individual Customers

In order to enter the market and accordingly to the segmentation performed, the main focus of Finest will be on two types of clients: the “*uncomfortable*” and the “*bon vivants*”. For the first group, the benefits of using the Finest service should be clearly outlined. The “*uncomfortable*” should be convinced that night events can be well organized and that they are able to relax and have fun.

A benefit-oriented market strategy should be thus applied for this segment, since they are not so comfortable with all the process of booking tables and entering the nightclubs. The main goal is to ultimately influence their consumer behavior and push them to the social celebrants segment.

On the other hand, in order to reach the “*bon vivants*” segment, marketing efforts will have to increase since they do not perceive the same benefits as the other segments do, essentially due to their extended nightlife related network. Nevertheless, this is expected to be Finest most profitable segment, despite not being the largest, as they are willing to spend large amounts of cash in a single night. In addition, this segment can be also used as Finest own promoters and public relations. Marketing campaigns for this type of customers will be focused on special offers - as they have the opportunity to earn points from their regular bottle bookings - and, the add-in

services should be explored as they can consider an opportunity to meet their specific preferences. Finest secondary target will be the social celebrants segment, since they fall in-between the two previously mentioned segments. Hence it is possible to reach them with the marketing strategy established.

6.2.2 Nightclubs

Regarding venues, the primary target are the reference clubs, since they are larger, have more tables to book and account for most of the nightlife revenues. Moreover, these big players are also important in order to attract other clubs and individual customers that are constantly looking for opportunities in the most well-known venues. If Finest succeeds in attracting these nightclubs, it will have more leverage to negotiate with its secondary targets, the alternative nightclubs.

6.3 Competitor Analysis

National wise, Finest is the first mobile app that allows the booking of tables and entrances in nightclubs however, it has a big competitor in each nightclub - the promoter of the event and its Public Relations (PR). Promoters have a PR team that creates awareness of the event and make reservations of tables and bottles.

In this industry, the key success factors are an easy and accessible process to make the reservation and/or to enter a certain nightclub combined with an agile and quality service. As it is a premium service, other services such as transport (Uber or limousine), personal photographer and so on, can also add value to the customer.

The PR team creates awareness about the event and is responsible for the reservations of the tables and bottles. In order to make a reservation through them, a person needs to know a PR, get

in contact and discuss which table and bottles are pretended. Then, after finishing this process, when arriving the nightclub, the customer needs to call the PR in order to enter. As this PR service can be considered competition to the mobile app, Finest will focus on agreements with the promoters, trying to avoid this competition. Basically, each PR will have a code that whenever a table is booked with it, s/he earns half of the profit and wins points that can be exchanged by rewards (Finest products and services). With this, competition could be overcome and sales could actually increase.

However, changing the scope to Europe, Finest has competitors that work in a very similar way, as InList and BottleBooking (via App), operating in London, Ibiza, Paris, Monaco, Cannes and St. Tropez. InList and BottleBooking do not offer add-ins, as Limousine rides, personal photographer or barman. Moreover, BottleBooking can only be accessed through invitation, making it impossible to be part of the community without knowing anybody in the inner-circle.

6.4 Market Assessment

Aiming to assess the market of Finest's core business (reservation of bottles and entrances) it was used Porter's Five Forces to have a clearer snapshot of this market environment without Finest and to understand its fragilities, in order to learn from it and know where can Finest differentiate from its competitors and thrive, reducing the threat of substitutes and new entrants and decreasing the bargaining power of suppliers and customers. This way, Finest can enter the market in a better position regarding its competitors and be more prepared for the future.

This market is composed by companies that are intermediaries, profiting from a percentage of their sales. At this time, in Portugal, there are operating in this market the promoters that are a

team of public relations that sell to their network, and WikiNight, a recent website that operate in the same way than the public relations but in the internet.

A customer that wants to enter or buy a bottle in a nightclub can do it there at the moment of the party (more difficult to enter/it can be full and it will not be possible to buy a bottle) or can make a reservation calling to a public relation or making it through WikiNight.

To be an intermediary one has to have a deal with one or more nightclubs (the suppliers in this case). However, to enter this market there are not need big levels of investment, distribution channels are accessible to all size of organizations and there is no need to have specific know-how. This way it can be seen that the threat of new entrants is high.

Regarding making the reservation through any public relations or WikiNight, there are no loyalty programs and the prices and quality are the same, which makes consumer switching costs low. Hence the threat of substitutes and the bargaining power of customers are also high.

Since this is an intermediary market the nightclub is critical to the end service. Also, the most attractive nightclubs have parties operating at full capacity, increasing their bargaining power.

Thus, although this is a fierce market, it is not following the strategic and technological evolutions and can be improved in many ways that can be a better guarantee for Finest's success.

“Shoppers are becoming ‘Mobile First’. They are using their mobile phones throughout their purchase-decision journey”¹² and actually there is not any nightclub booking apps in Portugal.

¹² **Ellen, Gareth.** 2014. "The Mobile First shopper strategy". Admap, May 2014.

In order to reduce the threat of new entrants, Finest needs to restrict the distribution channels making contracts with the nightclubs preventing the change of the deal if some company enters the market, giving more time to analyze it and negotiate more consciously.

Finest will have a loyalty program giving points that can be traded for services, so that the switching costs of consumers are higher, reducing the threat of substitutes. It will also deliver a better and easier service for an equivalent price, reducing the bargaining power of suppliers.

Making the reservations and paying it before the party, Finest can give to the nightclubs money in advance and a provision of the demand for that specific night. Also can give in-depth analytics related to each party and customer's information turning it possible for the nightclubs to do segmented marketing. Also, giving advertisement for each party in the app is value added to Finest. This way Finest will become more valuable for nightclubs (suppliers), decreasing its bargaining power.

7. Marketing Plan

7.1 Unique Selling Proposition

“Having a strong unique selling proposition (USP) is of critical importance as it distinguishes your company from competitors.”¹³

Finest is the easiest, secure and transparent service to enjoy your perfect night!

7.2 Positioning

Finest positions itself as a Premium service, a customer-centric organization aiming to deliver to its clients a VIP and perfect night. The easiness to get inside the venues, the booking of the best tables and some add-ins such as a personal barman or being driven to the club are some of the offerings that will contribute to this perception. Regarding the booking process, Finest intends to depersonalize it – since it will be done through a software – but keep the same care and attention of a real PR, with the benefit of simplifying it.

7.3 Offers and Pricing

The Finest app will be free to download for all users. According to its business model, the revenues will come from entrances, bottles sold and add-ins available in the app.

Each nightclub will have a different contract since its demands will be different. According to its size, relevance and popularity in the industry, the bargaining power and the negotiation will vary and the terms of the contract will thus differ. However, an average price per source of revenue could be computed through conversations with nightclubs promoters: for the VIP entrances, a fee

¹³ Lavinsky, Dave. 2013. "Marketing Plan Template: Exactly What To Include". *Forbes*, September 30. <http://www.forbes.com/sites/davelavinsky/2013/09/30/marketing-plan-template-exactly-what-to-include/>.

of between 1€ and 2€ per entrance would account for Finest revenues; a minimum of 10% of the final price of a bottle sold in a nightclub would also be to Finest - the percentage could increase if a large quantity of bottles were sold through the app; concerning the barman and the photographer, a fee of between 3€ and 4€ per hour would also account for Finest; and regarding the transportation, the fees that Finest could be able to capture would vary from a luxury transportation (limousine) and a normal one (Uber), accounting to an average of 10% of the final transportation price.

7.4 Distribution Plan

Since Finest is an on-the-go concept where customers can make a reservation wherever and whenever they want, our primary distribution channel it is going to be the mobile application.

In order to pay, customers will have different payment methods available: Credit Card, Paypal and MBNet. These methods were chosen as they were the most preferred regarding the survey conducted.

7.5 Promotion Strategy

Different channels for promotion were chosen having in consideration the different segments of customers.

Directed to the people that already know Finest, the **mobile application** itself will be a channel where customers can see the information about the parties and different promotions available. Geotracking will also be used, when a customer is near a partner venue, a message will be popped communicating the event that is occurring or will occur there with a link to make a reservation through the app.

The **website** and **Facebook** will have a preponderant role in order to explain our concept, attract customers to download the mobile application, our point of sale, and leverage our sales, with announcements on special offers and highlighting the clubs we find more profitable. It will contain the information about Finest services and link to download the app. To increase website affluence it will be used Search Engine Optimization (SEO). Regarding SEO, the keywords that are going to be focused are the names of the venues where Finest will be present and keywords related to the services, such as “bottle service”, “bottle reservation”, “Lisbon nightlife”, in Portuguese and English. Facebook will be used to have a closer relationship with customers, answering questions, advertising promotions and releasing photographs of our customers enjoying their night, increasing Finest social proof in order to boost conversions and sales.

In order to attract foreign or not local customers, flyers containing Finest services, website URL and a QR Code to download the app, will be distributed in **hotels**, **hostels** and the **airport**. The same strategy will be used in nightclubs and bars to attract people that attend to those places, aiming to captivate potential customers to use Finest services.

Promoters/ambassadors may play a major role not only in sales but in the communication plan of our company. Due to their vast network of contacts, they are likely to rapidly spread the word and advertise Finest service. Also it is noticed they play a major role in the table reservation process, since they are the faces of the clubs and with whom people talk when they want these kind of services. For that purpose, Finest will seek influential people in the night industry and on social networks to be a part of the voice of Finest. Special accounts will be created in the app for the public relations so that they can deal with the logistical process of book a table for a client directly from there, being the commission earned in this case split equally between Finest and the

PR. This way, it is expected to increase sales and promoters can promote and book tables and entrances for events in different venues and further in different cities, without leaving home.

Word of Mouth is a very powerful tool in this market, since the decision of attending an event is normally collective. Given this, when booking a table at a nightclub there should be a group discussion that will spread the Finest concept between the involved. Table bookings are also a motive to grab and given this, our application will have an option to share in social networks every time a customer attends an event or books a table. As Finest intends to offer a close and personalized service to our customers, positive word-of-mouth will arise.

Advertising will be done in online and offline media. Online advertising will focus on banners in some of the most well-known Portuguese nightlife websites, since it is a place where frequenters gather information and plan their nights. For that purpose, we will contact 7Noites, Portugal Night and Portugal Dance. Facebook Ads will also be a major help when targeting our segmented groups. Regarding traditional marketing, advertising in print media it is important to reach customers that are not used to search for services of this kind. Advertising will be done mainly in nightlife and events related magazines such as TimeOut Lisboa (and TimeOut Porto when the business expands) since they present similar target groups.

This strategy will maintain in the appropriate magazines and websites when expanding to other European countries.

7.6 Penetration Strategy

Firstly, the main challenge is to build a reasonable nightclub base, to attract users to download the application. Finest sales strategy will focus on the reference clubs. This process will be done through a personal contact, in which a beta version of Finest app will be presented in detail,

focusing on the advantages when compared to the current situation and current competitors. It is expected that these negotiations will run differently from club to club, according to their relevance, In this sense, it is likely that margins vary between each club, depending on their demand and capacity. Since the contracts with the nightclubs are the main barrier, there is the need to be flexible with the margins, in this first stage when there is no data that proof Finest efficacy and efficiency.

As soon as there are at least two contracts with nightclubs, the app is going to be launched.

The clubs that are from bigger interest to have firstly included in Finest are Urban Beach, Lux Frágil, Main, Place, Docks and Art, in Lisbon. Meetings will be scheduled with each responsible to start this process, continuing the research about nightspots as well as using public relations contacts.

Furthermore, in order to prosper, an intermediary, as Finest, needs to have a vast customer base. To reach this goal Finest needs to increase its brand awareness and customer perception of the concept. To do so, Finest will sponsor events every time it joins a new venue. In these events, when booking a table, customers will have a discount of 50% in the first bottle. This way it is expected customers to be attracted to make reservations through Finest app and become familiar with the concept. This promotion will be communicated in all channels presented before.

7.7 Partnerships

When thinking about partnerships one has think about what customers buy before, during or after buying Finest services. Many customers need a transport to go to the venues and go home after the night. Hence, a good partner is Uber, since it offers transport and it function in a similar way to Finest app. Moreover it is a well-established company in Portugal and the World and a

partnership can be beneficial for Finest since it will bring brand awareness and for Uber because it might increase their sales.

When reaching the time of the event where you made a reservation the customer will receive an alert to inform they can also book the ride through Uber.

7.8 Strategy for Increasing Transactional Prices

The transaction price customers pay when they buy can dictate Finest success and also increase bargaining power with the venues. Therefore, it is important to make bundles and promotions when buying bigger quantities. This way, customers will be more attracted to buy more and will reduce their bargaining power since this is not done in any of Finest competitors. This strategy has to be discussed with the venues and it will be different between them, since the reduction of the price can be done by the venue or by Finest playing with the bottle prices and margins earned.

7.9 Retention Strategy

“Too many organizations spend too much time and energy trying to secure new customers versus investing in getting existing customers to buy more often. By using retention strategies such as a monthly newsletter or customer loyalty program, you can increase revenues and profits by getting customers to purchase from you more frequently over time.”¹⁴

It will be created a reward system whereby customers will earn points according to their bottles and entrances bought. With those points, customers can trade them for several offerings such as discounts, free bottle service, entrances and services provided by Finest. It is certainly a way to

¹⁴ Lavinsky, Dave. 2013. "Marketing Plan Template: Exactly What To Include". *Forbes*, September 30. <http://www.forbes.com/sites/davelavinsky/2013/09/30/marketing-plan-template-exactly-what-to-include/>.

encourage table reservations and motivate users to spend more money in nightclubs. It is another way to reduce customers bargaining power, increasing the switching costs to another provider.

The number of points a customer will earn from a purchase depends from the percentage Finest profit from the venue associated with that purchase. The points will be correlated to the profit of Finest, for every euro Finest profit from a customer's purchase, he will earn 100 points (profit x 100). For example, if the purchase costs 100€ to the customer and Finest profits 10% from that venue, it will profit 10€ and the customer will receive 1000 points. This way Finest can keep track how valuable a customer is from the points earned and adjust the prizes he can earn.

7.10 Referral Strategy

A referral program is vital to boost the customer base and increase sales. Word of mouth is the fundamental key in this part since, if every customer refers one new customer, the customer base will constantly grow. In order to achieve that, customers need to receive a prize for each referral. However, a referral is only worthy if this new customer make at least one purchase. Hence, for every referral, the customer will be prized with 1000 points when the new customer reach 100€ spent. These points will be added to the account and can be traded as it was discussed in the retention strategy.

7.11 Marketing Forecast

To forecast Marketing budget it will be used the traditional way, a percentage of gross revenues. Both US Small Business Administration (SBA) and SCORE ("Counselors to America's Small Business") cite figures ranging between 2% and 10% of sales.

However, as it was previously stated, Finest has to strongly penetrate the market in order to reach a relevant customer base. Therefore, in the first year, marketing has to be the main focus and it will be allocated a budget of roughly 50% of the forecasted revenues, around €40 000. This percentage will be reduced in the following four years to 30%¹⁵, since the company will be expanding to new regions, every year.

¹⁵ The corresponding amounts of the marketing expenses can be observed on Cash Flow Forecast Chapter in the Table 2

8. Operations Plan

8.1 Operations Strategy

Since Finest offers a web based service, no physical facilities are required initially and there is not needed a specified location to develop the operations, highly reducing the operative and fixed costs. In a more developed stage of the development plan, the need for having a fixed office may arise to be able to operate close to emerging markets. It will be required to have a full-time employee to work on data maintenance and fixing certain application bugs.

8.2 Scope of Operations

The core of the business will rely on partnerships with nightclubs, using sales force to reach individual agreements with each one. Discounts on the price of the bottles should also be negotiated. Clubs should agree on the permission of priority entrance of Finest clients if some restrictions are fulfilled, mainly related with the client's screening at club's entrance. If by any reason the client is not allowed to enter the club, there should be a reimbursement of the price paid. Correspondingly, the agreements with the clubs can also include advertising payments, such as ads displayed in main page for an event or special offer. The values of these advertisements can be consulted in the marketing plan present in this business plan. The extra services provided by Finest will be managed based in outsourcing deals with limousine rental companies, photographers and individual barmen. Finest team has gathered a set of competitive contacts in these three areas.

8.3 Working Capital

The full amount of the service payment will be required in the moment of booking, and so Finest receives the client's cash before providing the service, which is a great advantage. Given this, there won't be major necessities on having available working capital. The Cash can immediately be used to increase our marketing efforts or distribute them to existing shareholders.

8.4 Day to Day Operations

Day-to-day operations will be focused on client satisfaction.

A daily update of the expected booking in an event and other statistics should be delivered to the nightclubs. Also, Finest has the responsibility to make changes in the event offers and prices to meet nightclubs' needs because, depending on the daily results, they can take decisions, such as sales, bundles, or if it is reaching its maximum capacity they can decide to auction the last tables.

Finest has to maintain personal contact with nightclubs, in order to understand if they are taking advantage of the service and if there are any point they would like to be improved. It is essential to maintain this contact and to work together with them, so that Finest can continually improve app's features as well as ensure that clubs maintain their interest in making part of it. It will also be important to seek for new clubs that could be benefic for Finest service, following in this case the defined entry strategy.

At the same time, Finest needs to actively seek new PR's and, when opportune, invite them to use the special accounts created for this purpose.

The intermediation between the outsourced services and the client will also be managed, making sure that Finest delivers a quality and personalized service. Furthermore, there will be a constant tracking of the customers' experience and a helpline will always be available.

9. Development Plan

Finest project already went through the first stage of development, having the structural ideas and strategy defined.

The key to launch is acquiring partner nightclubs. Therefore Finest is already going to start negotiating in the first month while developing the app. Currently, Finest is in contact with an interesting group of clubs to start the project, which is Grupo K (that owns Urban Beach) and Main. The design of the application and website have already started and it is estimated approximately one further month to develop a beta version, creating a final version to launch in month three. The beginning of the marketing campaign is expected to occur in the second month, when the contracts with at least two nightclubs are expected to be settled. It will be very important to create a strong marketing strategy and guarantee its effective implementation, which will be crucial to spread Finest and to attract a large number of users, creating a big network that would be essential for the value of this project and for future revenues.

Finest launch is expected to be held in month three with an opening party, explained above in the penetration strategy, in the nightclubs present in the app.

In the beginning Lisbon will be the focus in order to earn contacts and experience and to get customers' feedback from the service.

Finest is expected to expand to Porto and Algarve, in year 2 and 3, respectively, holding, in case of success, the penetration strategy it was followed in Lisbon. Some changes can be taken in this strategy to bridge gaps that happened in Lisbon.

When information reveals an high product awareness and nightclubs' profit increases due essentially to Finest services, the margins will start to be renegotiated in the nightclubs where margins are lower.

After third year, in case of acknowledge Finest acceptance and profitability, it is expected to start to negotiate with clubs internationally, that will start off with Madrid essentially for geographic, market attractiveness and cultural similarities with the Portuguese nightlife industry reality. In the fifth year it is expected for Finest to be present in Lisbon, Porto, Algarve, Madrid and Barcelona.

In order to keep up with this expansion strategy Finest will also have to hire some new elements, from senior and junior developers to sales force members. From the beginning of operations the company organization will be composed by the two co-founders already presented and by a senior developer who will be responsible for the development of the mobile app, the correspondent beta versions and some maintenance that would be needed over the first years of operations. In the second year no hirings are expected since the co-founders and the senior developer are expected to be able to control every operations needed. In the third year, with the estimated increase of users and revenues, and with the expansion to Porto and Algarve, a junior developer and a sales force team member are expected to be hired. Moreover, in order to follow the international expansion strategy in the fourth year, three new elements are expected to join the organization: a new junior developer and two sales force members will be hired to help to control the operations abroad. In the fifth year, in order to follow the expansion to Barcelona, two sales force members are expected to join the team, contributing to a sales team composed by five members. In this year the company organization will thus be composed by two co-founders, one senior developer, two junior developers and five sales force members.

9.1 Exit Strategy

An exit strategy should be outlined in order to the company has a backup plan in an unexpected case scenario. Several scenarios could occur and this plan is performed to take the most of the situation. It is essential to plan every plausible scenarios and to take advantage from it, whether it is a favorable or an unfavorable case scenario. In the case of Finest, there are two exit strategies that the business can follow: the acquisition by a larger company, for example an US mobile app with the same core business as Finest, such as Tablelist or EzVip; or just bleed out the company, cashing out the most of it by rewarding the owners and the investors with huge bonus, rather than reinvesting in the company.

10. Financial Analysis

10.1 Revenue Forecast

Although Finest does not charge anything for its download, the mobile app will have a revenue model composed by three different revenue sources: revenues from VIP entrances; revenues from bottles and tables sold; and revenues from the additional services (Add-ins).

In order to compute each of the revenues sources, some assumptions were made.

Regarding the revenues from the VIP entrances, it was assumed that in the first year of operations of each region, 15 entrances will be sold (except for Algarve which has a larger market size and more clients, and so, the VIP entrances is expected to amount up to a value of 30 entrances already in the first year). Then, in the second year it is expected to increase to 20 entrances in each region, stabilizing in this value for the following years (Algarve is expected to stabilize in 40 VIP entrances).

Concerning the revenues from the bottles and tables sold, it was computed the market size for Lisbon (the city where Finest will start to operate) relied on information collected from several city's nightclubs. Based on this value, an extrapolation was performed for the remaining cities where Finest intends to operate in the first 5 years. For the first year of operations in each city it was assumed that Finest will capture 10% of the bottles sold in the nightclubs, in the second year the value that Finest intends to capture is 30% (except for Madrid and Barcelona where the growth is expected to be slower mainly due to the larger dimension of the market, and so, it was assumed that only 20% of the bottles sold in the nightclubs were sold through the app), for the third year it is expected to increase to 40% and in the fourth year of operations it is assumed that 50% of bottles are sold through the mobile app, stabilizing in that value for the following years.

This revenue source is the one that is estimated to represent the main component of Finest revenues.

Lastly, the additional services (Add-ins) that Finest intends to provide through the mobile app are meant to improve the quality of the service and to proportionate a perfect night to the clients. It is expected to represent a small amount of the revenues since it is just a complimentary service and since it is not the core business of the app. From this revenue source it is estimated that an average amount of around 20€ will be achieved by Finest from each add-in subscribed and that one additional service will be subscribed per each 100 booking processes.

Finest total revenues can be observed in the following table:

Table 1 - Finest Revenues

Revenues					
Year	1	2	3	4	5
Bottles	57,888.00 €	200,071.32 €	364,773.96 €	597,894.60 €	839,579.05 €
Entrances	17,280.00 €	34,560.00 €	52,560.00 €	76,800.00 €	96,000.00 €
Add-ins	1,157.76 €	4,001.43 €	7,295.48 €	11,957.89 €	16,791.58 €
Total	76,325.76 €	238,632.75 €	424,629.44 €	686,652.49 €	952,370.63 €

10.2 Cash Flow Forecast

Cash flow forecasts were based on the expected revenues presented above, which correspond to the gross income as Finest do not expect any costs of goods sold. In order to compute Finest expenses, some assumptions were made.

First of all, payment expenses are expected to be 3.2% of the sales value in the first year of operations, 3% in years 2 and 3 and 2.7% in the last two years - 4 and 5 (see Appendix 4). These expenses are related with PayPal and other payment institutions fees. Concerning the marketing expenses, its structure can be explained in detail in the Promotion Strategy chapter within the

Business Plan. These expenses will be variable every year since there will be different marketing campaigns for each stage of expansion. A percentage of 30% of the expected revenues will be allocated to marketing efforts in each year of operations, with exception to the first year which corresponds to around 50% of the expected revenues. The amount of the outsourcing services (Legal and Consulting) will also increase over the years mainly due to two reasons: the forecasted consulting services correspond to a fee of 1% of Finest revenues, thus it will increase over time since the revenues will also increase; and legal fees will also increase mainly in the fourth year after the expansion to Spain due to the necessity of new contracts and in a new language. The server and IT costs are related with the renting of servers to support the mobile app utilization, and these are expected to increase every year since it is related with the number of users. The servers will be rented and it has an annual fee that varies with the capacity needed (Appendix 5). Development and R&D expenses will amount up to 10 000€ in the first year mainly due to the development of the mobile app and respective tests and, in the following years, it is expected to present a constant value until the fourth year (before the expansion to Madrid). After the international expansion, R&D expenses are expected to increase since it is needed a new language in the app and the necessity for new features and innovation will increase. R&D will be oriented to find new trends and opportunities during the expansion, so that Finest can do it in a carefully way, constantly upgrading the service to meet its customers' needs. The increase of rent values is related to the needs of having office spaces in every city Finest expands to, so that the company can better meet its clients' needs with a helpline and have a physical place to handle possible meetings and to solve problems that may arise. Concerning the increase of the HR expenditures, which are mainly related to the wages of the employees - sales managers, junior and senior developers and co-founders - it is easily explained by the growing necessity to increase the number of team members in order to keep up with the expansion and growth

strategy. During the first year of operations the co-founders will not receive any salary in order to reinvest the cash flows in the company. To conclude, the other expenses category is related with the mobile phone bills, electricity, business trips, internet and other utility expenses. These were assumed to be 5% of the expected revenues of the corresponding year.

As Finest will not have any tangible assets, depreciations and amortizations are not considered. Moreover, it is also not expected to present a significant amount of working capital or further investments. Summarizing, a slight loss of about 17 104.21€ is estimated to occur in the first year, however, the break-even point is expected to take place already in the second year of operations.

Finest cash flow forecast can be analyzed by observing the following table which corresponds to its income statement:

Table 2 - Finest income statement

Year	1	2	3	4	5
Revenues	76,325.76 €	238,632.75 €	424,629.44 €	686,652.49 €	952,370.63 €
Bottles	57,888.00 €	200,071.32 €	364,773.96 €	597,894.60 €	839,579.05 €
Entrances	17,280.00 €	34,560.00 €	52,560.00 €	76,800.00 €	96,000.00 €
Add-ins	1,157.76 €	4,001.43 €	7,295.48 €	11,957.89 €	16,791.58 €
Gross Profit	76,325.76 €	238,632.75 €	424,629.44 €	686,652.49 €	952,370.63 €
Payment Expenses	2,442.42 €	7,158.98 €	12,738.88 €	18,539.62 €	25,714.01 €
Marketing Expenses	40,000.00 €	71,589.82 €	127,388.83 €	205,995.75 €	285,711.19 €
Rent	7,800.00 €	15,600.00 €	15,600.00 €	24,600.00 €	33,600.00 €
HR	24,000.00 €	48,000.00 €	98,400.00 €	163,200.00 €	240,000.00 €
Servers + IT	1,608.00 €	2,208.00 €	2,448.00 €	2,928.00 €	3,600.00 €
Development + R&D	10,000.00 €	5,000.00 €	5,000.00 €	10,000.00 €	10,000.00 €
Outsourcing Services	3,763.26 €	5,386.33 €	7,246.29 €	11,866.52 €	14,523.71 €
Other Expenses	3,816.29 €	11,931.64 €	16,985.18 €	20,599.57 €	23,809.27 €
EBITDA	- 17,104.21 €	71,757.97 €	138,822.25 €	228,923.03 €	315,412.46 €
Depreciation & Amortization	- €	- €	- €	- €	- €
EBIT	- 17,104.21 €	71,757.97 €	138,822.25 €	228,923.03 €	315,412.46 €
Tax	- €	10,877.29 €	26,076.23 €	43,195.38 €	59,628.37 €
Net Income	- 17,104.21 €	60,880.68 €	112,746.02 €	185,727.65 €	255,784.09 €
Net Income Margin	-22%	26%	27%	27%	27%
Free Cash Flow	- 17,104.21 €	60,880.68 €	112,746.02 €	185,727.65 €	255,784.09 €

10.3 Company Valuation

There are many analysts who argue that young or start-up firms cannot be valued since they have no historical data (historical financial statements). However, according to Damodaran¹⁶, these firms' value corresponds to the present value of the expected cash flows from its operations. Therefore, in order to reach to the final value of Finest, expected cash flows were discounted at a rate of 65% - the expected discount rate for seed stage companies vary from 50% to 80% according to several studies^{17,18,19,20} - and a perpetual annual growth rate of 25% was assumed. Given this, Finest is estimated to be worth 148,425.70€ since it stills corresponds to a seed stage company (See Appendix 6).

10.4 Investment Necessities

In order to start and launch the business, some capital requirements will be needed. An initial investment of around €35 000 would be required and asked to investors. These funds would be applicable for the development of the mobile app, approximately €15 000 for this purpose, and an extra €20 000 for initial marketing necessities, essentially to the penetration strategy. This amount of capital would be only a part of the total capital required to launch Finest, since some expenses related with the development of the app, marketing, renting of servers and outsourcing would also have to be covered.

¹⁶ Damodaran, Aswath. 1995. *Investment Valuation: Tools and Techniques for Determining the Value of Any Asset*. Wiley Finance.

¹⁷ Sahlman, William A., and Daniel R. Scherlis. 1987. "A Method for Valuing High-Risk, Long-Term Investments: The Venture Capital Method". Harvard Business School.

¹⁸ Ruhnka, John C. and John E. Young. 1991. "Some Hypotheses about Risk in Venture Capital Investing". *Journal of Business Venturing*, January 1991.

¹⁹ Wetzel, W. E. 1981. "Informal Risk Capital in New England". *Frontiers of Entrepreneurial Research*, Wellesley, MA. Babson College.

²⁰ Plummer, J.L. 1987. "QED Report on Venture Capital Financial Analysis". QED Research, Palo Alto, CA.

11. Conclusions

Literature presents different opinions related to the preponderance of a business plan for the success of a new venture and also some pros and cons for decide to do it.

When developing Finest business plan the team went through a systematic planning of all business points, imagining different scenarios, searching for benchmarks and different strategies and taking decisions with researched information. This path made the team understand the market, competition and key success factors of the business that will certainly help when creating the company.

Albeit making plans in a fast paced world, as nowadays, can be seen, by some authors, as non-useful and a waste of time, the team concludes that is worth to complete it since it helps an idea to be structured and transforms it into a business ready to start. However it is important to understand that the business plan gives you a direction that can and should be changed in case some unforeseen threat happens. Having this in mind, the team believes that a pre-venture business plan help to the preparation and success of a new venture.

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Appendix

Industry Trends

Appendix 1 - Forecast Sales of Alcoholic Drinks by Category in Portugal: % Total Value Growth 2013-2018

<i>Forecast Sales of Alcoholic Drinks by Category in Portugal: % Total Value Growth 2013-2018</i>	
% local currency, constant value growth	2013/2018 Total
Spirits	19.5
Wine	7.5
Alcoholic Drinks	10.3

Source: Euromonitor International

Market Size

Appendix 2 - Revenues from bottles in the reference Lisbon nightclubs

Reference clubs						
Days	Tuesday	Wednesday	Thursday	Friday	Saturday	Total
Urban Beach	- €	4,000.00 €	4,000.00 €	5,000.00 €	5,500.00 €	18,500.00 €
Main	- €	2,400.00 €	4,800.00 €	7,200.00 €	9,000.00 €	23,400.00 €
Place	- €	- €	2,500.00 €	4,000.00 €	5,000.00 €	11,500.00 €
Lux	- €	1,500.00 €	2,400.00 €	5,250.00 €	8,800.00 €	17,950.00 €
Docks	8,250.00 €	- €	- €	5,250.00 €	6,750.00 €	20,250.00 €
Art	- €	3,000.00 €	4,500.00 €	6,000.00 €	7,500.00 €	21,000.00 €

Revenues p/week	112,600.00 €
Revenues p/month	450,400.00 €
Revenues p/year	5,404,800.00 €

Appendix 3 - Revenues from the bottles in the alternative Lisbon nightclubs

Alternative clubs	
Venues	10
Nights	2
Bottles	5
Price	80.00 €

Revenues p/week	8,000.00 €
Revenues p/month	32,000.00 €
Revenues p/year	384,000.00 €

Cash Flow Forecast

Appendix 4 - Paypal payment expenses

Paypal payment expenses	
Monthly Sales	Price Per Transaction
€0.00 EUR - €2,500.00 EUR	3.4% + €0.35 EUR
€2,500.01 EUR - €10,000.00 EUR	2.9% + €0.35 EUR
€10,000.01 EUR - €50,000.00 EUR	2.7% + €0.35 EUR
€50,000.01 EUR - €100,000.00 EUR	2.4% + €0.35 EUR
> €100,000.00 EUR	1.9% + €0.35 EUR

Appendix 5 - Servers renting expenses

Servers		
Year	Costs p/month	Costs p/year
1	134.00 €	1,608.00 €
2	184.00 €	2,208.00 €
3	204.00 €	2,448.00 €
4	244.00 €	2,928.00 €
5	300.00 €	3,600.00 €

Source: dominios.pt

Company Valuation

Appendix 6 - Finest Valuation

DCF Valuation					
Year	1	2	3	4	5
Free Cash Flow	- 17,104.21 €	60,880.68 €	112,746.02 €	185,727.65 €	255,784.09 €
DCF	- 10,366.19 €	22,362.05 €	25,098.59 €	25,057.68 €	20,914.80 €
Terminal Value					65,358.76 €
Finest Valuation	148,425.70 €				

Discount Factor	65%
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